



SAN DIEGO COUNTY OFFICE OF EDUCATION

6401 LINDA VISTA ROAD, SAN DIEGO, CALIFORNIA 92111-7399 (858) 292-3500

Superintendent of Schools

Randolph E. Ward, Ed.D.

August 8, 2012

Honorable Robert J. Trentacosta
Presiding Judge of the San Diego Superior Court
220 West Broadway
San Diego, CA 92101

Re: Grand Jury Report: "Accounting for Self-Insurance Funds in School District Audits"

Dear Judge Trentacosta:

We have reviewed the Facts, Findings and Recommendations in "Accounting for Self-Insurance Funds in School District Audits" from the San Diego County Grand Jury 2011/12 Final Report. We agree with the overall findings of the Grand Jury and concur that we should ensure that the Independent Auditors who do the annual school district audits follow the Governmental Accounting Standards Board rules in Statement #10 and Interpretation #4.

Recommendation 12-26:

"Ensure that the Independent Auditors who do the annual school district audits follow the Governmental Accounting Standards Board rules in Statement #10 and Interpretation #4"

SDCOE Response:

Based upon the above Recommendation, the San Diego County Superintendent of Schools will coordinate with the independent auditors who do the annual school district audits to ensure they are following the Governmental Accounting Standards Board rules in Statement #10 and Interpretation #4 relative to funds held in the Joint Powers Authority (JPA) of which a school district is a member.

The JPA Banking Pool funds are actuarially calculated to cover losses anticipated by the actuary to occur within the fiscal year of funding, and to cover incurred but not reported claims (claims that are reported in the future), as well as reserve development of those claims over the life of the claim. The actuary calculates annually if there is "surplus equity" in the fund, allowing for proper reserves and funding of all losses. If surplus equity exists, it is returned to the School District, per the JPA Agreement, for use in prevention of future losses. The balance remains in the JPA to cover future expenditures/expenses over the life of the claims. As such, it is not "probable" that these contributions will be returned and the contributions appear as a prepaid insurance asset allocated over future periods.

If at year end it is probable that a member district will be in a deficit position that is measurable, the district may have either a short or long term liability that should be reported in the audit.

Board of Education

Mark C. Anderson Susan Hartley Sharon C. Jones Jerry R. Rindone John Witt

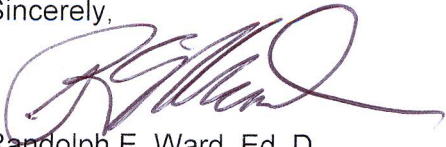
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On behalf of the San Diego County Office of Education, I share your interest in ensuring school districts are properly reporting their financial position in their annual audits. We will continue to work closely with our independent auditors and member districts to ensure appropriate reporting in both the JPA audits and the school district audits.

Sincerely,

A handwritten signature in dark ink, appearing to read 'R. Ward', with a large, stylized loop at the end.

Randolph E. Ward, Ed. D.
County Superintendent of Schools

REW:LLD:RM

cc: Laura Nicks